Improving Customer Satisfaction
A People CMM Perspective

October 11, 2010

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How to Participate Today
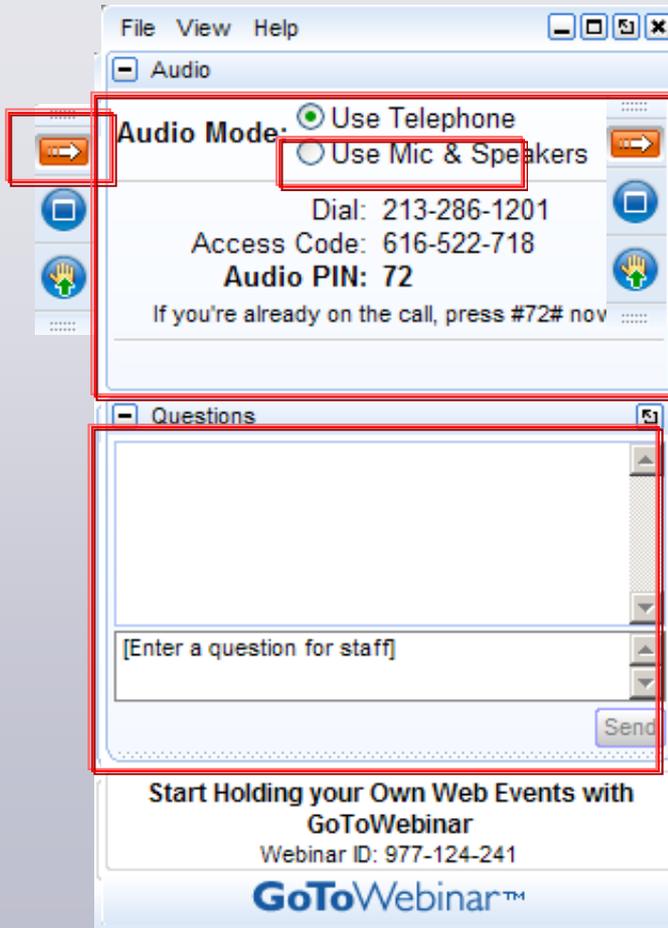
- **Open and close your Panel**

- **View, Select, and Test your audio**

- **Submit text questions**

- **Q&A addressed at the end of today's session**

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Presenters Bio's

Dr. Palma Buttles is a Senior Member of the Technical Staff at the Software Engineering Institute. At the SEI, she is a member of the People Capability Maturity Model team where she develops courses, delivers training and provides consulting services. Palma holds a Ph.D. in Anthropology from The University of Texas at Austin.

Shane McGraw is the founder and manager of the SEI Webinar Series, and also oversees the SEI's Software Process Improvement Network (SPIN). He was certified as an Inbound Marketing Professional in 2009 and Customer Care Manager in July 2006. He has a bachelor of arts degree from the University of Pittsburgh and a bachelor of science degree from Indiana University of Pennsylvania.

Deen Blash is responsible for marketing and strategic planning of the SEI's 1,500-person Membership program. He publishes a weekly email newsletter that is distributed to more than 1,500 recipients. He has presented on process improvement at several conferences throughout the United States and Europe. He has as a bachelor of science degree in management.

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Polling Question

#1 *How did you hear about this webinar?*

1. Social Media site (LinkedIn, Twitter)

2. Email invitation from the SEI

3. SEI Website

4. Website with webinar calendar i.e. www.webinar-directory.com

5. Other

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Webinar Objectives

Employees are direct contributors to customer satisfaction.

Thus, workforce practices that increase employee satisfaction, engagement, motivation, performance, and retention can lead to an increase in customer satisfaction and the bottom line.

Identify common attributes of organizations with excellent customer service and satisfaction.

Provide examples of workforce practices that lead to improve customer satisfaction.

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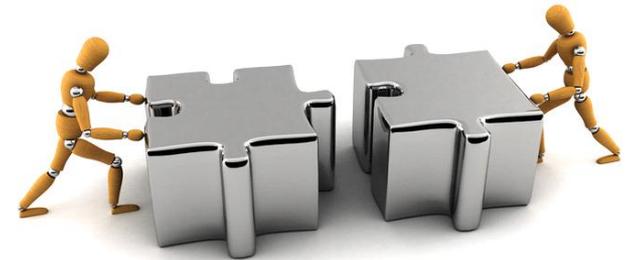
Polling Question

#2 *Within the last year have you encountered an organization with poor customer service?*

1. Yes , I have experienced poor customer service within the last year

2. No, I have not experienced poor customer service within the last year

Polling Question

#3 **If you answered "yes" to the previous question, did you continue to do business with that organization?**

1. Yes

2. No

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How is Customer Service defined?

Customer service is the set of *behaviors*, *actions*, and *processes* that a business undertakes during its interaction with its customers.

New medias for customer service…

The new marketing!

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Why is Customer Service so Important?

Good customer service allows you to keep new customers, which is cheaper, quicker and easier than finding new ones!

It costs as much to gain ONE client as it does to keep FIVE existing ones

1. Good customer service

5. Competing More Effectively

Customer Satisfaction: The Virtuous Cycle

2. Happy Customers

4. Better Profits

3. Repeat Purchases

Much of the profits of most businesses rely on repeat customers

The Times 100 Edition 11 - http://www.tt100.biz

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Satisfied Customers Will Market Your Company!

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Seven Steps to Achieving World Class Customer Service

1	**Know your customer**
2	**Build a customer-focused culture**
3	**Organize to best serve the customer**
4	**Hire and train the "right" staff**
5	**Develop effective processes**
6	**Utilize technology**
7	**Utilize measures**

Typical Barriers to Effective Customer Service

Staffing
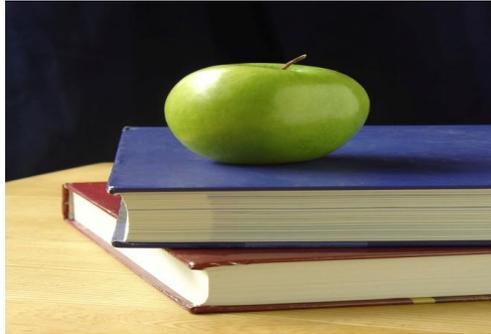
Skills

Training

Communication

Performance Management

Work Environment

Measurement

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Service Profit Chain

Employee satisfaction soars when you equip employees with the knowledge, skills, abilities and power to serve customers *internal service quality*

Employee satisfaction in turn fuels *employee loyalty*, which raises *employee productivity*.

Higher productivity means greater external service value for customers – which enhances *customer satisfaction and loyalty*.

Internal Service Quality → **Employee Loyalty** → **Employee Productivity** → **Customer Satisfaction and Loyalty**
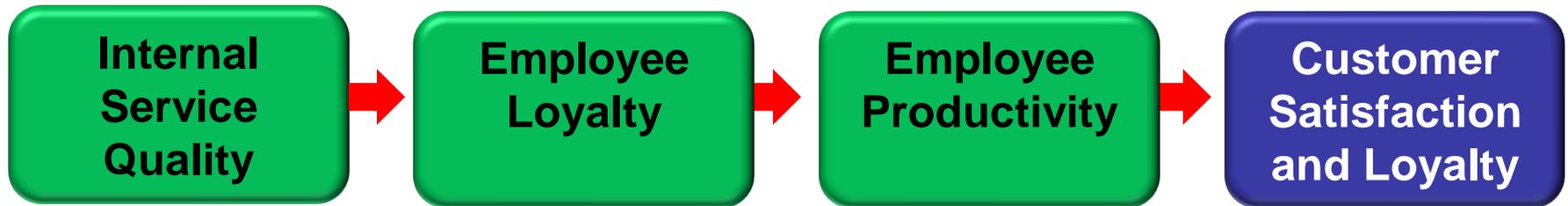
"A mere 5% jump in customer loyalty can boost profits 25%"…or more.
(Heskett et al. Harvard Business Review: RO807L)

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Service Profit Chain Examples

Sysco: Trend - Operating Units with highly satisfied employees

- have higher revenues
- lower costs
- greater employee retention
- superior customer loyalty

Best Buy (at individual stores)

- 12 item engagement survey
  - retention, productivity, profitability, customer engagement, and safety
- the value of a 0.1 (on a 5 point scale) increase in employee engagement
  - **translates to more than $100,000 in annual operating income**

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Employee Satisfaction

What is employee satisfaction?

- happiness, contention, engagement, high/low morale, etc?
- does it impact productivity?

How do you measure employee satisfaction?
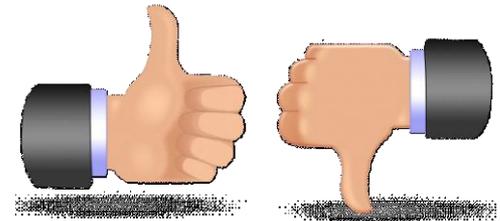
Jet Blue's Crewmember net promoter score

- asked annually on date of hire
- willingness to recommend company as a place to work

2010 ranked "Highest in Customer Satisfaction Among Low-Cost Carriers in North America" by J.D. Power and Associates

Sources: Davenport, Harris, Shapiro 2010,

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Common Attributes of Good Customer Service

- Investment in people

- Staffing

- Training and development

- Performance feedback

- Reinforcing behaviors

- Empowerment

- Effective managers

- Measurement programs

"Modern organizations can't succeed unless the <u>people</u> they employ agree to contribute to their mission and survival" **Denise M. Rousseau (2004), Carnegie Mellon University**

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The People CMM

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What Is the People CMM?

Provides a roadmap for improving workforce practices

Committed Work → (team photo) ← **Strategic Goals and Objectives**

People CMM
Second Edition
A Framework for Human Capital Management
Bill Curtis
William E. Hefley
Sally A. Miller
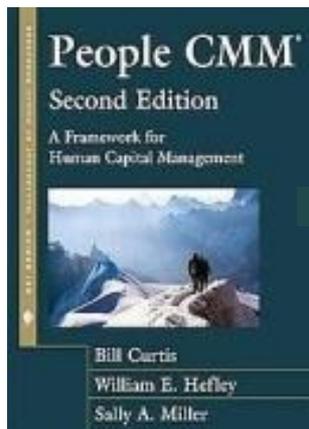
→ **Workforce Practices**
Staffing
Performance Mgmt
Communication
Compensation
Work Environment

→ CMMI Second Edition
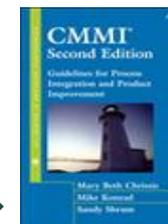
Customer
Relationship
Management
Program

CMMI for Services

Malcolm Baldrige National Quality Award

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People CMM and Process Area Threads

Maturity Levels	People CMM Threads			
	Developing Individual Capability	**Building Workgroups & Culture**	**Motivating & Managing Performance**	**Shaping the Workforce**
5 Optimizing	Continuous Capability Improvement		Organizational Performance Alignment	Continuous Workforce Innovation
4 Predictable	Mentoring Competency Based Assets	Competency Integration Empowered Workgroups	Quantitative Performance Management	Organizational Capability Management
3 Defined	Competency Development Competency Analysis	Workgroup Development Participatory Culture	Competency Based Practices Career Development	Workforce Planning
2 Managed	Training and Development	Communication & Coordination	Compensation Performance Management Work Environment	Staffing

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Polling Question

#4 ***Does your organization have a defined process for managing its workforce practices?***

1. Yes

2. No

3. Don't Know

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Maturity Level 2: Building the Foundation

Committed Work
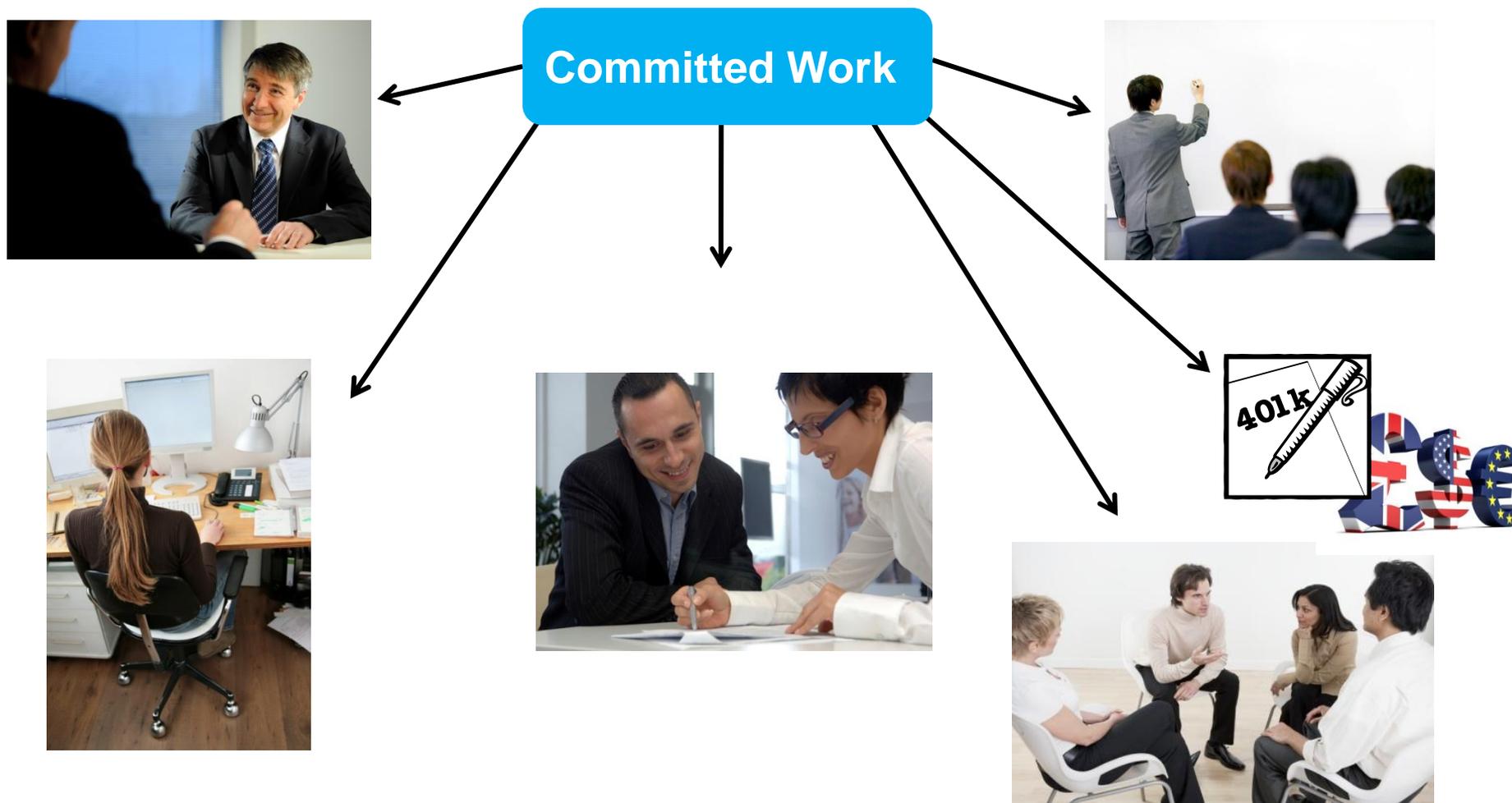
| Staffing | Training & Development | Work Environment | Performance Management | Communication & Coordination | Compensation |

Maturity Level 3

Current → **Current Business Objectives** →

Workforce Competencies

← **Strategic Human Capital Plan** ← **Strategic**

	Competency Development			Workgroup Development
Competency Analysis	Workforce Planning	Career Development	Competency-Based Practices	Participatory Culture

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Maturity Level 3: Capability and Capacity [1]

Customer Service Rep IV

Customer Service Rep III

Customer Service Rep II

Customer Service Rep I

Knowledge:

Skills:

Process Abilities

**Customer Service
Competency Family**

Current Resource Profile (initial inventory)

Workforce Competency	Staffing by Capability Level			
	I	II	III	IV
Customer Service Rep	17	25	12	5
Project Manager	2	8	4	1

Current Business Objectives

Current Resource Needs (one year cycle)

Workforce Competency	Current Staffing Level Needed			
	I	II	III	IV
Customer Service Rep	23	30	15	7
Project Manager	4	9	6	2

Strategic Human Capital Plan

Strategic Resource Needs (two to five year)

Workforce Competency	2012 Staffing Level Needed			
	I	II	III	IV
Customer Service Rep	31	35	18	9
Project Manager	4	10	8	3

Maturity Level 3: Capability and Capacity [2]

From counting heads to understanding Capability and Capacity

10 Customer Service Reps
5 Project Managers
4 Managers

Customer Service Rep IV

Customer Serive III

Customer Service II

Customer Service Rep I

Knowledge:

Skills:

Process Abilities

Workforce Competency	Staffing by Capability Level			
	I	II	III	IV
Customer Service Rep	17	25	12	5
Project Manager	2	8	4	1

Customer Service and Workforce Practices

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Polling Question

#5 *Are people's customer service skills more important now due to the current economic climate?*

1. Yes

2. No

3. Don't Know

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ML 2: Staffing Examples

Sysco Delivery Associates

- improved retention rates from 65% to 85%
- track employee satisfaction scores
- take action when scores decrease

Saved nearly $50 million in hiring and training

Google and AT&T

- quantitative analysis identify attributes of best performers
- staffing criteria include these attributes

Ability to take initiative better than academic record

Zappos

- one out of 100 applicants is hired

50% skill and 50% cultural fit

Sources: Davenport, Harris, Shapiro 2010, HBR October; Business & Strategy Magazine September 2010

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ML 2: Performance Management Examples

Google

- monitors the highest and lowest performers on distribution curve
- data used to help high and low performing employees succeed
- actively help lowest 5%
  - employees may have been misplaced or poorly managed

> "We know we've hired talented people, and we genuinely want them to succeed" Laszlo Bock, VP People Operations

Zappos

- reinforces the culture, behaviors, and10 core values

Lockheed Martin

- links employee performance to organizational objectives
- data is used to identify employees for future work and who need improvement

Sources: Davenport, Harris, Shapiro 2010, HBR October; Business & Strategy Magazine September 2010

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ML 3: Strategic Workforce Planning

- Workforce analytics

- Forecasting and scenario modeling

- Human capital planning

Dow Chemical

Mining of historical data to anticipate workforce needs

- promotion rates

- internal transfers

- overall labor availability

http://www.dow.com/careers/what/hr.htm **Workforce Planning: Provides a wide range of recruiting expertise to help Dow businesses and functions proactively plan and staff their organizations with the talent needed to support business strategies.**

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Excellent Customer Service: USAA Example

MSN Money – Ranked No. 1 company on list of Customer Service Hall of Fame (2009)

Business Week – Top two customer service champs for three years (2009)

Forrester Research – top-ranked by consumers for Customer Service Advocacy (2010)

Military Times - No. 2 Best for Vets Employer (2010)

Source: https://www.usaa.com/inet/ent_utils/McStaticPages?key=usaa_awards

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USAA Customer Service: Focus on the People

Contributing to USAA's world class customer service:

- "attracting and retaining world-class employees."

    Richard Fowler, II, Vice President/General Manager

- a highly motivated workforce with extensive training and industry-leading technology platforms

- aggressive cross-training program to deliver better service with fewer transferred calls, and flexibility to meet evolving needs, such as ramping up in the event of a natural disaster

> USAA believes that fostering a strong workforce translates directly into a stronger business. It has developed a broad array of benefits to serve employees' needs for financial, professional and personal well-being. The company recognizes that by taking care of its employees, its ethic of service will be transferred to its members.

Source: http://www.calchamber.com/headlines/humanresourceshealthsafety/pages/11112005%20ts.aspx

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Case Study:

People CMM and Improved Customer Service Delivery

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Mahindra Holidays & Resorts India Ltd. (MHRIL)

2003 People CMM improvement program initiated
> *Club Mahindara Varca Beach Property in Goa, India (Mallick 05)*

- Align workforce practices with business strategy and MHRIL's strong commitment to customer service

  - Identify and define workforce competencies

  - Evaluation of current HR workforce practices

Trip Advisor (www.tripadvisor.com) - #1 Hotel in Varca
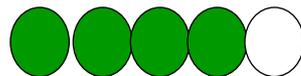
● ● ● ● ○   134 Reviews

May 2010 - I had a great experience of stay at club mahindra goa. Food quality is awesome. Very lavish menu. Lush green property. Right on the beach. Swimming pools are neat and clean. Staff is very supportive. Overall a great experience

April 2010 - Best things about resort- - The grounds are beautiful and extremely well maintained - The staff are very courteous and helpful

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Club Mahindra: Tangible Benefits

Tangible Benefit	Example Results
Improved customer satisfaction	• **Decrease in negative remarks (12% to 7.8%)** • **Increase in positive remarks (66% to 74%)** • **Increase in guest scores in all departments**
Reduced operational costs	• **Reduced recruitment costs** • **Attrition rate reduce from 4.5%, December 2003 to 1.5%, January 2004**
Improved objective performance scores	• **Appraisal scores improved over three quarters, with greater consistency across departments**
Established a "knowledge bank"	• **Establish a forum to share experiences and learn from each other on a continuing basis** • **Knowledge bank is updated on an event driven basis and leanings are shared and put into practice**

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Club Mahindra: Intangible Benefits

Intangible Benefit	Example Results
Employee moral	• **Fall in attrition rate** • **Better feedback on training and orientation activities**
Greater cross-level interaction	• **Increase in voluntary participation** • **Constructive debates on important issues**
Rise in participation	• **Increase volunteering to committees** • **Increase delegation in decision-making processes**
Organizational culture positive and open	• **Clarity on unit processes and policies** • **Level of interaction during orientation sessions**

Achieved Maturity Level 5 in 2006…but more importantly increased capability and productivity on multiple levels

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Summary
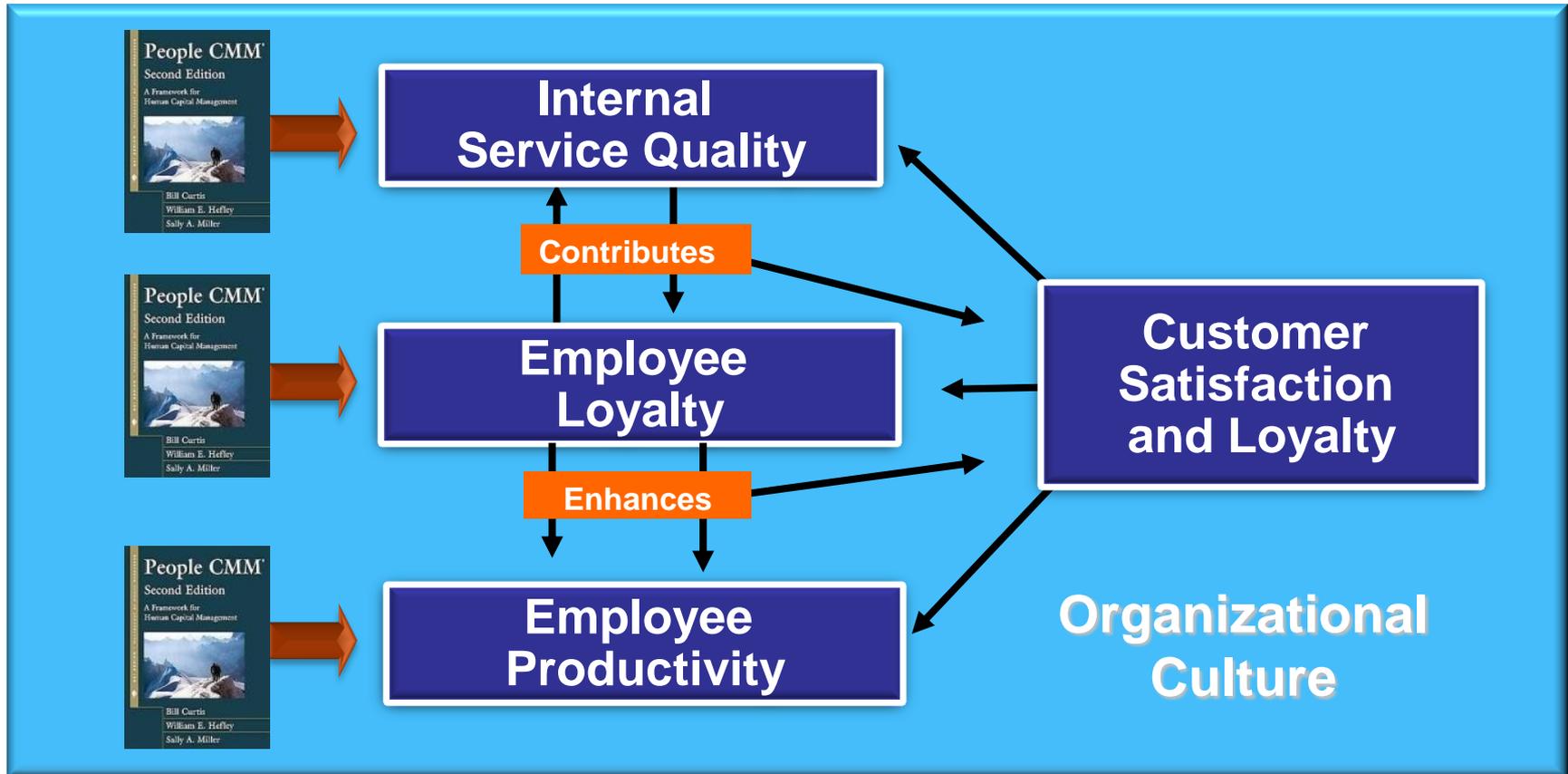
The People CMM directly contributes to all the links in Service-Profit Chain

Contact Information

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NO WARRANTY

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www.sei.cmu.edu/sepg/na/2011

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Security for Business Leaders
▶ www.cert.org/podcast/

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SEI Training

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